2019

annual report

MAINSTREAM GROUP HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES
ABN 48 112 252 114

MAINSTREAM

Who we are

Mainstream Group Holdings Limited (ASX: MAI) is a leading global fund administrator that is listed on ASX.

As at June 2019 the Group provides administration services to 1,012 funds and more than 101,000 investors with assets under administration of AUD $173 billion.

Formed in 2006, Mainstream now employs 259 people, with operations in Australia, Singapore, Hong Kong, the United States, the Isle of Man, Malta, Ireland and the Cayman Islands.

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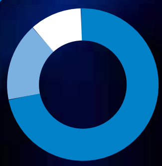
Our Business

MAINSTREAM OPERATES ACROSS THREE REGIONS:

Asia-Pacific, Europe and the Americas.

Revenue by region



- APAC
- AMERICAS
- EUROPE

Markets

Asia Pacific

Americas

Europe

Client types

MANAGED FUNDS

HEDGE FUNDS

PRIVATE EQUITY, VENTURE CAPITAL AND REAL ESTATE FUNDS

LISTED FUNDS:
- Exchange-traded funds
- Listed investment trusts

PLATFORMS:
- Individually or separately managed accounts
- Cayman umbrella fund
- Public offer superannuation fund

Services

- FUND ADMINISTRATION
- FUND ACCOUNTING
- CUSTODY
- MIDDLE OFFICE SERVICES
- UNIT REGISTRY / TRANSFER AGENCY
- CORPORATE SERVICES
- FUND FORMATION

Chairman's Report

full-year
dividend payout

1.25 ₵

per share

"Excellent group with some real star performers... easy to work with and I would recommend Mainstream as a strong business partner."

From Mainstream's client survey November 2018

259
employees

356
clients

101,000
investors

Welcome to the Mainstream Group Holdings Limited's Annual Report for the year ended 30 June 2019.

Mainstream has achieved another year of growth and improved financial results.

We delivered on our strategy of providing global fund administration services to our clients, while continuing to grow and support our people and paying dividends to our shareholders.

Today, Mainstream has more than 259 employees serving 356 clients and over 101,000 investors. We are proud to have retained many of our clients from our small beginnings in Australia and now provide an increasing number of our clients with a larger number of Mainstream services. We look forward to continuing down this path.

As we build scale across multiple jurisdictions, we are well placed to achieve further growth. The markets we serve are subject to the global trends of increased governance and regulation. Mainstream remains well placed to help our clients manage changing regulatory environments and deliver good outcomes for their investors. It also represents revenue opportunities for the Group due to our size, investment in technology and expertise in managing regulatory change.

Mainstream has evolved from a predominantly Australian-based business at IPO, operating regionally, to a truly global company. All of our growth this year was sourced organically.

On behalf of the Board, I would like to thank our shareholders for their participation in our $10.3 million capital raise over September and October 2018 to invest in high growth areas of the business. Funds raised have been invested in our US private equity business and custody business, which both have strong sales pipelines, as well as investing in our technology platform.

In May 2019 we announced a strategic review of our Superannuation business following ongoing structural changes in Australia's superannuation industry. The review confirmed that the Group can deliver better value for shareholders by investing in the growth and development of its core Fund Services businesses. The Board has therefore elected to absorb the Superannuation business into the Fund Services business and focus on growing the public sector superannuation fund as a complementary offering to our Separately Managed Account (SMA).

We had a number of Board changes during the year. On 1 October 2018 I transitioned from Executive Chairman to Non-Executive Chairman as part of our long term succession plan. Effective 15 March 2019, Lucienne Layton stepped down as an independent director of Mainstream after four years. The Board thanks Lucienne for her dedicated service and wishes her well for the future. Effective 1 July 2019 Debbie Last joined the Board as an independent director.

The Board is pleased to announce a final dividend of 0.50 cents per share, franked at 50% out of the profit reserve account. When combined with our interim dividend of 0.75 cents per share, franked at 100%, this takes our total dividends declared for the year ended 30 June 2019 to 1.25 cents per share. Historically all dividends paid were fully franked. The move to partial franking reflects the growing success of our international businesses.

We sincerely thank our clients, employees and shareholders for their support over the last year.

In 2020 we will continue to strive for further earnings growth alongside investment in automation and global service delivery for our clients.

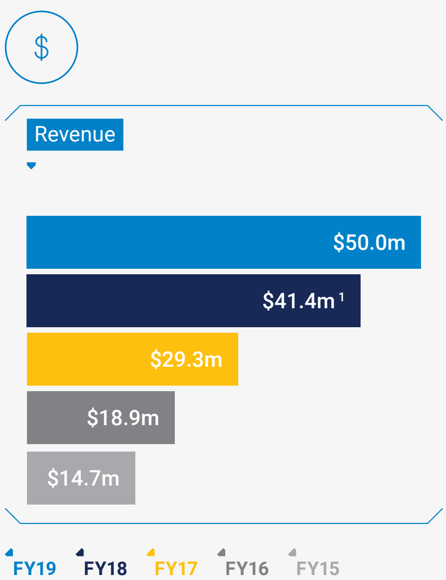
Byram Johnston OAM
Non-Executive Chairman

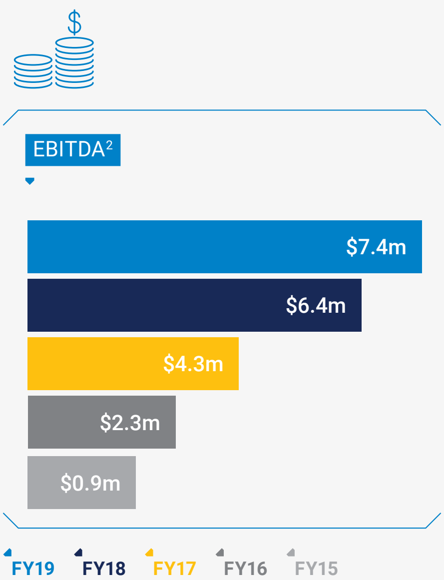
CEO's Report

What makes Mainstream a great place to work?

> "Great people, great culture and exciting direction that the business is working towards. Team environment where we are all working towards a common goal - growth and efficiency."

From Mainstream employee engagement survey
May 2019





Our revenue and earnings continued to grow strongly over the past 12 months. We delivered revenue and EBITDA growth for the fifth year in a row.

After numerous acquisitions in recent years, this year we focused our efforts on integrating these acquisitions and organic growth. We achieved record highs in the number, size and breadth of funds and are now one of the largest non-bank fund administrators in Asia-Pacific.

Our client base is well diversified across markets and fund type. We saw this first hand in the December quarter, when broad market declines were offset by growth in our global hedge and private equity businesses.

FY19 ACHIEVEMENTS

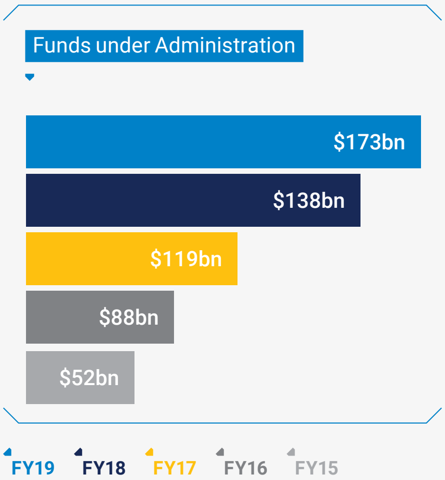
Highlights for the year included:

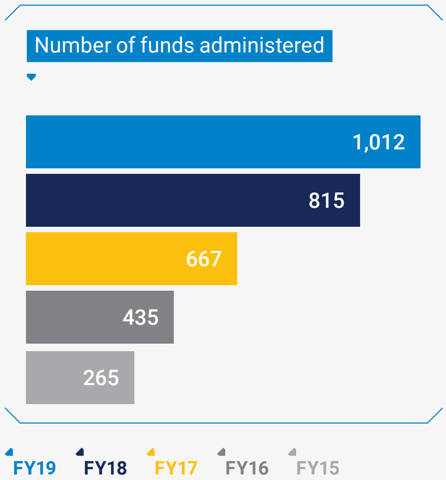
- Revenue reached $50.0 million, an increase of $8.7 million (21%) on FY18. The majority of this is sourced from recurring income from long term contracts with our clients. Notably our four largest clients all have long-term agreements in place as at 30 June 2019.
- EBITDA grew to $7.4 million, up $1.1 million (17%) on FY18.
- Funds under administration reached $173 billion, achieving $34 billion (24%) growth on FY18.
- The Group now administers 1,012 funds for 356 clients as at 30 June 2019 (up from 815 funds for 343 clients as at 30 June 2018).
- We successfully raised $10.3 million in the September 2018 Placement and October 2018 Share Purchase Plan to fund custody regulatory capital, technology platform upgrades, expansion of US sales operations and working capital.
- The Directors have declared total dividends of 1.25 cents per share for the year ended 30 June 2019:
  - Final dividend per share of 0.50 cents (50% franked) at a corporate tax rate for imputation purposes of 30% out of the profit reserve account.
  - Interim dividend per share of 0.75 cents (100% franked) at a corporate tax rate for imputation purposes of 27.5%.
- Launch of a Separately Managed Account (SMA) fund to supplement our existing tax, corporate action and reconciliations for managed accounts.
- Build out of our Private Equity administration business, with funds under administration growing by AUD $4.5 billion since last year.
- Upgrading to a full service custody licence in Australia to compete against the large global banks. We now have $5.0 billion in funds under custody, up 34% on last year.
- We continued to enhance our operating platform for future growth through targeted investment in our people, processes and technology. This increased some of our overheads as we expensed a portion through our profit and loss account.

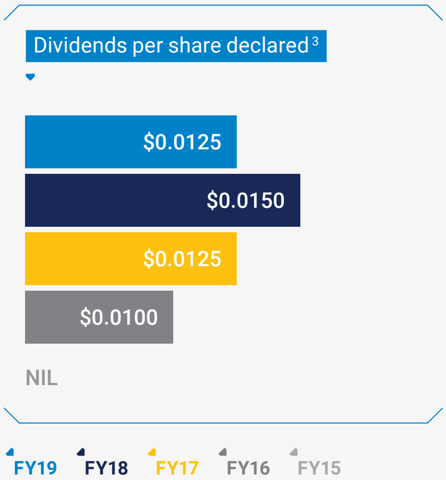
BUSINESS INVESTMENT

During the year we invested in a number of initiatives which increased our operating costs, including:

- Investment in building our growing US business to diversify our service offering into private equity funds
- Restructuring costs in our Superannuation business of approximately $0.3 million.
- Business development and client service initiatives to support key client retention in Asia-Pacific.







PEOPLE

Our business operates across Asia-Pacific, Europe and the Americas so we can deliver a high level of service to our clients. We now have a regional CEO to oversee and support growth in each region. During the year Nick Happell was promoted to Asia-Pacific CEO and we hired Andy Harrison as CEO, Fund Services in Australia. These appointments complement our global team built in recent years through business acquisitions and key hires.

PROCESSES AND TECHNOLOGY

Mainstream spent $8.3 million on technology, data and automation to enhance client experience, drive scale, efficiency and improved client service. This included $6.8 million on IT expenditure, $1.0 million on IT capitalisation and $0.5 million on investment in product development for a key client. The benefits of automation, system integration and process documentation are being rolled out to our clients.

Our Unit Registry business level of automation grew from 56% to 63% and we have implemented our online application functionality for initial fund applications.

We also invested heavily in meeting and maintaining our compliance with global regulatory requirements and enhanced our procedures against cyber and fraud threats.

FUND SERVICES

Our core business, Fund Services, continues to perform strongly. Significant investment was made in Asia-Pacific and the Americas to take advantage of our strong sales pipeline. During the year we added:

- 48 new funds under custody
- 76 new private equity funds

The outlook for the sector looks strong. Our market opportunity is currently estimated at USD 37 trillion in assets under management[4] and growing. PwC suggest that investable assets for the global asset management industry will increase to more than USD 100 trillion globally by 2020[5]. This growth is underpinned by the trend towards outsourcing to ease the administrative and regulatory burdens faced by investment managers. We expect to see continued demand for our services as regulatory environments continue to change.

SUPERANNUATION SERVICES

Mainstream's Superannuation Services business underperformed during the period, accounting for only 8% of the Group's FY19 revenue (FY18: 10%). This is expected to fall to around 2% in FY20. This decline is a direct result of consolidation within the superannuation industry, notably Australian Prudential Regulation Authority ("APRA") regulation driving a wave of mergers within our traditional client base of smaller funds and the Australian Taxation Office ("ATO") assuming responsibility for the administration of low balance accounts from July 2019. As a consequence we lost a key superannuation client.

In response, we have conducted a strategic review of Suprannuation Services and have elected to integrate its operations into our Fund Services business. We will move away from administering industry and corporate funds to focus on growing our public offer superannuation fund, "CUBS", as a complementary service to our SMA offering. As a result we are closing our Melbourne office and our superannuation operations will now be performed out of Sydney.

We have recognised a non-cash impairment of $2.8 million reflecting the reduction in value of this business. The impact of this one-off non-cash impairment is reflected in the financial statements.

OUTLOOK

We will continue to focus on streamlining our operations and investing in high growth areas. Our approach is to always put our clients at the centre of what we do. Mainstream is well placed to help our clients support administration so they can focus on running their business.

Mainstream is well positioned to continue delivering solid results alongside investment in automation and global service delivery for our clients.

In line with one of our core values, "Prioritising People", I would like to thank our people for their hard work across each of our businesses and for their contribution to our ongoing growth success. Their commitment and contribution means all the difference. I would also like to thank our clients for making us a trusted partner.

Martin Smith
Chief Executive Officer

1. Restated down by $0.4 million from prior year due to overstatement of revenue and expense between two subsidiaries.
2. EBITDA is a non-IFRS financial measure used to highlight the operating performance of the Group. EBITDA is calculated as earnings before interest financing expense, tax, depreciation, amortisation, impairment and share based payments.
3. The final FY19 dividend will be 50% franked, all prior dividends were fully franked.
4. Investment Company Institute, Worldwide Mutual Fund Market, Worldwide Public tables Third quarter 2018 (released December 2018); Hong Kong's data (non-REIT assets under management managed in Hong Kong, excluding business sub-contracted or delegated to other offices or third parties overseas for management), sourced from Securities and Futures Commission Activities Survey 2016 (released July 2017), Singapore's data sourced from Monetary Authority of Singapore's 2017 Singapore Asset Management Survey (released October 2018) and Cayman Islands Monetary Authority "2017 Investments Statistical Digest" (released December 2018). Refers to home domiciled funds except Hong Kong and the Cayman Islands which include home and foreign-domiciled funds. Fund of funds are not included except for the Cayman Islands. Australia includes funds managed by consolidated assets of domestic collective investment institutions, other investors (including funds sourced from governments, charities and other) and overseas investors.
5. PwC Asset Management 2020: A Brave New World.

Our Timeline

Mainstream opened in Sydney in 2006 with seven employees and an ambition to be a boutique alternative to the large global bank custodians in the Australian funds management industry.

Today Mainstream is a global fund administrator operating in eight markets providing full service investment administration, fund accounting, custody, middle office, unit registry and corporate services.

ASX

FINANCIAL REVIEW LISTS 2018 FAST 100

2006
- Founded in Sydney

2007
- Melbourne acquisition

2012
- Opened Singapore office
- Sydney acquisition

2014
- Hong Kong acquisition

2015
- Listed on ASX
- Hong Kong acquisition

2016
- New York aquisition
- Isle of Man aquisition
- Malta aquisition
- Surpased $100 billion in FuA

2017
- Ireland and Cayman Islands acquisition
- Melbourne acquisition

2018
- Recognised as one of Australia's fastest growing companies
- Launch of PE business in USA
- Launch of full custody service in Australia

2019
- Surpassed $150 billion in FuA

Mainstream was recognised in the 2018 Australian Financial Review 'Fast 100' list as one of Australia's fastest growing companies:

"The Fast 100 is a rich snapshot of where growth in the Australian economy has come from, and is going to"

Australian Financial Review
1 November 2018.

Our Values

Mainstream's values guide how we engage with our clients, service providers and each other. We are committed to these values and live them every day.

Core Values

- Clients Come First
- Work as One Team
- Prioritise People
- Get it Right the First Time
- Solution Focused

Directors' Report

Directors' Report

The Directors of Mainstream Group Holdings Limited (the "Company" or "Mainstream Group") present their report, together with the financial report of the Company and its controlled entities (the "Group"), for the year ended 30 June 2019.

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

NAME OF DIRECTORS | **QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES**

BYRAM JOHNSTON OAM
Non-Executive Chairman,
Mainstream Group

Byram is a founder and Non-Executive Chairman of Mainstream Group. Byram is a member of the Audit and Risk Committee, the Remuneration and Human Resources Committee and the Acquisitions Committee. He was also acting Chair of the Audit and Risk Committee from March to June 2019.

Byram is also a director of a number of Mainstream's wholly owned subsidiaries including Mainstream Fund Services Pte. Ltd. (Singapore), Mainstream Fund Services (HK) Limited, Mainstream Fund Services (Ireland) Limited, Mainstream Fund Services (Malta) Limited, Mainstream Fund Services (Cayman) Limited, Mainstream Fund Services, Inc, Mainstream Superannuation Services Pty Ltd and Mainstream Fund Services (IOM) Limited. Byram transitioned from Executive Chairman to Non-Executive in October 2018.

Byram has more than 45 years of professional experience including 30 years as a management consultant. Prior to establishing Mainstream Group, he was the managing partner for international consulting firms and outsourcing organisations including Arthur Andersen, Andersen Consulting, AT Kearney, PA Consulting, The IQ Business Group and FinancialBPO.

Byram was previously Chairman of ASX listed companies Greencap Ltd and Powerland Ltd and is a former Chairman of ASIC's Audit Committee.

Byram holds a Bachelor of Economics and is a Fellow of the Institute of Chartered Accountants. He was President of the Institute of Chartered Accountants from 1995 to1996. Byram was awarded an Order of Australia Medal in 2004 for service to Australian motor sport, to the community as a fundraiser, and to the accountancy profession.

MARTIN SMITH
Chief Executive Officer,
Mainstream Group

Martin is a founder, Group CEO and Director of Mainstream Group. He is also a member of the Acquisitions Committee.

Prior to being appointed as Group CEO in 2018, Martin was head of the Fund Services business since 2006.

Martin is a director of a number of Mainstream's wholly owned subsidiaries including Mainstream Fund Services Pty Ltd, Mainstream Fund Services Pte. Ltd. (Singapore), Mainstream Fund Services (HK) Limited, Mainstream Fund Services (Ireland) Limited, Mainstream Fund Services (Malta) Limited, Mainstream Fund Services (Cayman) Limited, Mainstream Superannuation Services Pty Ltd, Mainstream Fund Services, Inc and Mainstream Fund Services (IOM) Limited.

Martin has over 20 years of accounting, consulting and business leadership experience, more than 15 of which have been in fund administration.

Prior to Mainstream Group, Martin worked for FinancialBPO, The IQ Business Group and Arthur Andersen designing, implementing and managing outsourcing / shared services arrangements across a range of industries.

Martin holds a Bachelor of Business, Masters of Commerce and is a Certified Practising Accountant.

JOHN PLUMMER
Non-Executive Director

John joined the Board on 1 July 2015. He is the Chair of the Remuneration and Human Resources Committee and a member of the Audit and Risk Committee.

John's professional experience includes more than 30 years of strategy, outsourcing, investment and business leadership experience.

John held executive and non-executive roles with Chandler Macleod Ltd, retiring as Deputy Chairman following the acquisition of the company by overseas interests. He has previously served on the boards of listed investment companies and industry superannuation funds. He sits on the boards of several private companies in recruitment, technology and investment markets. John is a past National President and life member of the Recruitment and Consulting Services Association and a Fellow of the Governance Institute of Australia.

He holds a Bachelor of Commerce (Marketing) from the University of New South Wales and a Masters of Business Administration from Macquarie University.

JOANNA FISHER
Non-Executive Director

JoAnna joined the Board on 1 May 2018. She is Chair of the Acquisitions Committee and was appointed as a member of the Remuneration and Human Resources Committee on 17 April 2019.

JoAnna has more than 20 years of senior management experience in funds management, capital markets and wholesale banking both in Australia and overseas. Her commercial experience includes serving as General Manager of Corporate Bank at Commonwealth Bank and Senior Vice President at Bankers Trust in Japan, New York and Sydney.

JoAnna is currently Non-Executive Chair and Director of Morphic Ethical Equity Fund. She has been a member of the Australian Catholic Superannuation and Retirement Fund's Investment Committee since 2014, and a member of the Finance and Risk Management Committee at the Australian Chamber Orchestra since 2013. She also served as Non-Executive Director Quantum Funds Management from 2006 to 2018. JoAnna holds a Bachelor of Economics (Accounting) and Bachelor of Arts (Asian Studies) from the Australian National University and is a graduated member of the Australian Institute of Company Directors.

DEBBIE LAST
Non-Executive Director

Debbie joined the Board on 1 July 2019. At the same time she was appointed as Chair of the Audit and Risk Committee.

Debbie has over 25 years of experience in governance, risk, strategy implementation, finance and process improvement in the financial services sector, bringing industrial strength together with commercial outcomes to growing businesses.

Debbie has held senior executive positions including CFO of NAB Asset Management, a business within NAB Wealth, and was also a director of a number of nabInvest related entities. Debbie was also a Partner of PwC Sydney and KPMG London.

Debbie holds a Bachelor of Commerce from the University of Melbourne and is a Chartered Accountant.

LUCIENNE LAYTON
Non-Executive Director

Lucienne was a member of the Mainstream Group Board from 13 July 2015 until her resignation on 15 March 2019.

Lucienne's professional experience includes more than 25 years of experience in financial services covering a range of corporate roles including Chief Risk and Compliance Officer and General Counsel.

Lucienne is a graduate member of the Australian Institute of Company Directors and has been a Board Member and Member of Board Committees in the Industry Association and Not for Profit spaces over a number of years. Lucienne holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales, a Master of Laws from the University of Sydney, and an MBA (Executive) and a Graduate Diploma in Change Management from the Australian Graduate School of Management.

Lucienne was the Chair of the Audit and Risk Committee and a member of the Remuneration and Nominations Committee during her tenure as a Director.

Directors' Report continued

Board Committees

To assist it in undertaking its duties, the Board has established the following standing committees:

> the Audit and Risk Committee;

> the Remuneration and Human Resources Committee^; and

> the Acquisitions Committee.

Each committee has its own charter, copies of which are available on the Company website. The charters specify the objectives, responsibilities, duties, composition, reporting obligations, meeting arrangements, authority and resources available to the committees and the provisions for review of the charter. Details of Directors' membership of each committee and those eligible members' attendance at meetings throughout the period from 1 July 2018 to 30 June 2019 are set out below.

Company Secretary

Alicia Gill joined Mainstream in 2014 and was appointed Company Secretary on 1 May 2017. Alicia has over 15 years of financial services experience gained from working for both boutiques and large global institutions such as Nomura Securities and Macquarie Bank. Alicia holds a Bachelor of Business from the University of Technology, Sydney and a Diploma of Investor Relations from the Australasian Investor Relations Association.

Directors' Meetings

The number of meetings of the Board and Board Committees held during the year ended 30 June 2019 and the number of those meetings attended by each Director is set out below:

	Board		Audit and Risk Committee		Remuneration and Human Resources Committee^		Acquisitions Committee	
Director	Held while a Director	Attended	Held while a member	Attended	Held while a member	Attended	Held while a member	Attended
Byram Johnston OAM^^	8	8	4	4	4	4	2	2
Martin Smith	8	8	–	–	–	–	2	2
John Plummer	8	8	4	4	4	4	–	–
JoAnna Fisher**	8	7	–	–	2	2	2	2
Lucienne Layton*	6	6	3	3	1	1	–	–

^ The Remuneration and Nominations Committee was renamed the Remuneration and Human Resources Committee on 17 April 2019.
^^ Byram Johnston OAM transitioned from Executive Chairman to Non-Executive Chairman on 1 October 2018.
* Lucienne Layton resigned as a Director of the Company effective 15 March 2019.
** JoAnna Fisher was appointed as a member of the Remuneration and Human Resources Committee on 17 April 2019.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares of Mainstream Group Holdings Limited were:

Director	Direct Shares	Indirect Shares*	ESP Performance Rights (due to vest)	Total Interests	ESP Performance Rights (due to lapse)
Byram Johnston OAM	532,960	18,322,956	120,000	18,975,916	240,000
Martin Smith	820,176	19,353,244	671,667	20,845,087	274,999
John Plummer	11,515,234	–	–	11,515,234	–
JoAnna Fisher	–	–	–	–	–
Debbie Last	–	–	–	–	–
Total	**12,868,370**	**37,676,200**	**791,667**	**51,336,237**	**514,999**

* Indirect shares include Director related entities.

Dividends

Dividends paid by the Company during the financial year were:

	Cents per share	Total amount	Franking level	Corporate tax rate for imputation purposes	DRP participation rate	Shares issued under DRP	Date of payment
Final 2018	1.00	$1,093,856	100%	27.5%*	30%	455,343	12 September 2018
Interim 2019	0.75	$964,109	100%	27.5%	25%	430,028	18 April 2019

* The Final 2018 dividend was declared as fully franked at a corporate tax rate for imputation purposes of 30%. The tax rate was subsequently reduced to 27.5% due to the Company being assessed to have turnover of less than $50 million in the prior financial year. Updated dividend statements were issued to impacted shareholders on 13 May 2019.

Subsequent to the end of the financial year, the Company declared a final dividend out of the profit reserve account of 0.50 cents per issued share, franked at 50%, for the financial year ended 30 June 2019, payable on 20 September 2019. The Company's Dividend Reinvestment Plan (DRP) will operate for eligible shareholders in respect of this dividend.

Principal activities

The Group provides global outsourced fund administration and custody services to a range of wealth management sector participants. Its clients are all manufacturers or distributors of investment products. They include investment managers, superannuation trustees, family offices and dealer groups.

The Group has operations in the following three regions:

> Asia-Pacific (Australia, Hong Kong and Singapore)

> Americas (USA and Cayman Islands)

> Europe (Ireland, Malta and the Isle of Man)

Mainstream's core Fund Services business accounted for 92% of the Group's revenue in FY19. In a market update in May 2019, the Board confirmed that the global trends for the core business are very positive with a strong organic sales pipeline.

Mainstream Superannuation Services contributed the balance (8%) of Mainstream's FY19 revenue. It underperformed during the period due to consolidation within the superannuation industry, notably Australian Prudential Regulation Authority ("APRA") regulation driving a wave of mergers within our traditional client base of smaller funds and the Australian Taxation Office ("ATO") assuming responsibility for the administration of low balance accounts from July 2019.

Following a strategic review, Superannuation Services' operations will now be integrated with the Fund Services business, with a focus on growing the public offer superannuation fund as a complementary service to Mainstream's SMA offering. As a result the Group is in the process of closing its Melbourne office and relocating those operations to Sydney.

No other significant changes in the nature of Mainstream's activities took place during the year.

Review of financial results and operations

The total comprehensive income net of tax decreased by 140% to $853,723 loss (2018: $2,146,154 profit). The profit for the Group after income tax decreased by 166% to $1,140,565 loss (2018: $1,739,070 profit). Total revenue increased 21% to $50,032,073 (2018: $41,374,007).

The Group is in a strong financial position with a solid balance sheet and at 30 June 2019 reported $11,676,758 of cash and cash equivalents (2018: $4,930,872) and Net Assets of $35,099,043 (2018: $25,387,080).

Refer to the Chairman's and CEO's Reports for further information, including details on the Group's strategy and future outlook.

Significant changes in the state of affairs

On 14 August 2018, the Company announced its entry into the Separately Managed Account (SMA) market and appointed Perpetual Corporate Trust as the Responsible Entity of its forthcoming SMA. The SMA is now open to investors.

On 19 September 2018, Mainstream announced that it had received a termination notice from the Combined Super Fund following its intention to merge with the Prime Super Fund and subsequently move the administration of its fund to the administrator of that fund. The fund merger was completed on 31 December 2018 and Mainstream ceased to receive administration fees effective 18 March 2019. The Group has accelerated its amortisation of intangible assets in relation to the Combined Super Fund contract.

On 20 September 2018, the Company issued 13,571,429 new ordinary shares at an issue price of $0.70 per share, raising approximately $9.5 million under a placement to professional and sophisticated investors. On 23 October 2018, the Company issued a further 1,134,297 new shares under a Share Purchase Plan offer, raising approximately $0.8 million. In total Mainstream raised $10.3 million to fund regulatory capital for expansion of its custody business, technology platform upgrades, expansion of US sales operations and strengthening its balance sheet including the repayment of $1 million to ANZ. This repayment and a subsequent $1 million repayment on 1 February 2019 reduced Mainstream's three year loan with ANZ to $7 million.

On 31 October 2018, Mainstream was recognised in the Financial Review 'Fast 100' list, featuring the fastest growing companies in Australia.

Directors' Report continued

On 25 June 2019, Mainstream announced renewal of the administration services agreement with its largest client, Magellan Asset Management Limited, for an initial term of five years with an automatic renewal for a further five years. Mainstream has provided administration to Magellan since 2007.

Other than the above, there were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

The Group has undertaken a strategic review of Mainstream Superannuation Services, which accounted for approximately 9.5% of Mainstream's EBITDA in FY19 on a standalone basis. As a result of ongoing industry consolidation the Superannuation business will move away from administering industry and corporate superannuation funds to instead grow its public offer superannuation fund. Its operations are being integrated with the Fund Services business and the Melbourne office will be closed. Refer to the Principal Activities section above for more information.

On 20 August 2019 the Board of Directors declared a final dividend out of the profit reserve account of 0.50 cents per issued share, franked at 50%, for the financial year ended 30 June 2019, payable on 20 September 2019. The Board of Directors also resolved to offer all Shareholders the right to participate in the Company's DRP in respect to this dividend, with the DRP to operate at a 5% discount. A copy of the DRP is available on the Company's website.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future years.

Likely developments and expected results of operations

The Group will continue to pursue its financial objectives including increasing its profitability over time by increasing the performance of its existing business lines and also through its expansion strategy. Additional comments on expected results of operations of the Group are included in this report under the review of operations section above and also in the Chairman and CEO's Letters.

Environmental regulation

The Group is not subject to any significant climate change risks or environmental regulation under Australian Commonwealth or State law.

Shares under option

No options over issued shares or interests in the Company were granted during or since the end of the current and prior reporting periods and there were no options outstanding at the date of this report.

Indemnity and insurance of officers

In accordance with its Constitution, and where permitted under relevant legislation or regulation, the Company indemnifies the Directors and officers against all liabilities to another person that may arise from their position as Directors or officers of the Company, except where the liability arises out of conduct involving lack of good faith, wilful misconduct, gross negligence, reckless misbehaviour or fraud.

In accordance with the provisions of the *Corporations Act 2001*, the Company has insured the Directors and officers against liabilities incurred in their role as Directors and officers of the Company. The terms of the insurance policy, including the premium are subject to confidentiality clauses and as such the Company is prohibited from disclosing the nature of the liabilities covered and the premium.

Auditor

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001*.

Non-audit Services

During the year, Ernst & Young, the Group's auditor, has performed other services in addition to its statutory duties. Details of the amounts paid or payable to the auditor are set out in note 27 to the financial report.

The Directors are satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

> all non-audit services have been reviewed by the Audit and Risk Committee to ensure that they do not impact the impartiality and objectivity of the auditor; and

> none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditor Indemnification

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

Remuneration Report

This Remuneration Report outlines the remuneration arrangements of the Group for the year ended 30 June 2019. It details the remuneration arrangements for Key Management Personnel (KMP) of the Group who are defined as those persons having authority and responsibility for planning, directing and controlling activities of Mainstream Group Holdings Limited.

The KMP for the Group for the year ended 30 June 2019 included the Executive Directors, key Executives and the Non-Executive Directors (NEDs) as set out below:

Name	Position	Term as KMP
Executive Directors		
Martin Smith	CEO, Mainstream Group Holdings Limited	Full Year
Executives		
Nicholas Happell*	CEO, Asia-Pacific	Part Year
Denise DePaola	CEO, Americas	Full Year
John McCann	CEO, Europe and Cayman	Full Year
Non-Executive Directors		
Byram Johnston OAM**	Non-Executive Chairman	Full Year
John Plummer	Non-Executive Director	Full Year
Lucienne Layton***	Non-Executive Director	Part Year
JoAnna Fisher	Non-Executive Director	Full Year

* Nicholas Happell assumed the role of CEO, Asia-Pacific effective 1 October 2018.
** Byram Johnston OAM transitioned from Executive to Non-Executive Chairman of the Group on 1 October 2018.
*** Lucienne Layton resigned as Non-Executive Director of the Company effective 15 March 2019.

The remuneration report forms part of the Directors' Report and has been prepared and audited against the disclosure requirements of Section 300A of the *Corporations Act 2001*.

1. REMUNERATION PHILOSOPHY

The Group's remuneration philosophy is designed to attract, retain and motivate employees and ensure alignment of shareholder interests and business strategy. Broadly remuneration is structured in the Group with the following components:

> fixed remuneration including superannuation which is reviewed annually against market movements, performance and peer relativity;

> a variable short term incentive (STI) which is discretionary and generally rewarded through share-based grants for individuals incumbent in key business roles and is based on achievement of performance conditions that are aligned to business outcomes;

> a long term incentive (LTI) to key executives and senior managers which is discretionary and rewarded through a share-based grant for individuals who are critical to the long term success of the business.

The Company operates its annual performance cycle from 1 October to 30 September, with the twelve month period known as a Performance Year (PY).

2. EMPLOYEE OWNED COMPANY PHILOSOPHY

The directors hold a shared view and desire to be an employee owned company and that all employees have the opportunity to share in the success of the business. The company does this through its Employee Share Offer (ESO) that is reviewed and agreed by the Board each year to invite eligible employees to participate in the offer to be shareholders.

3. DIRECTORS' REMUNERATION

The Remuneration and Human Resources Committee reviews Directors' remuneration annually against market information and comparable companies and may also utilise the services of external advisers. The Committee's recommendations are submitted for approval by the Board.

The annual aggregate of Directors' fees in relation to their duties as a Director is currently capped at $500,000. The Board does not propose to seek an increase to the aggregate Directors' fee pool limit at the 2019 AGM.

Remuneration Report continued

3. DIRECTORS' REMUNERATION continued

The table below summarises the Board and Committee fees payable to Directors for 2019 and planned fees for 2020:

Role	FY19	FY20
Non-Executive Chairman	$240,000	$240,000
Executive Director	N/A	N/A
Non-Executive Director	$50,000	$50,000
Chair, Remuneration and Human Resources Committee	$10,000	$10,000
Chair, Audit and Risk Committee	$30,000	$30,000
Chair, Acquisitions Committee	$10,000	$10,000
Member, licensed subsidiary board^	$10,000	$10,000

^ One or more Group Directors are appointed to the boards of each of the Group's main wholly owned subsidiaries to provide Group oversight, governance and risk management. Group Directors receive $10,000 per annum in additional fees/remuneration for each licensed subsidiary of which they are a director.

Byram Johnston OAM is currently a director of the following licensed subsidiaries: Mainstream Fund Services (Cayman) Limited, Mainstream Fund Services (IOM) Limited, Mainstream Fund Services (Malta) Limited, Mainstream Fund Services (Ireland) Limited, and Mainstream Superannuation Services Pty Ltd.

Martin Smith is currently a director of the following licensed subsidiaries: Mainstream Fund Services (Cayman) Limited, Mainstream Fund Services (IOM) Limited, Mainstream Fund Services (Malta) Limited, Mainstream Fund Services (Ireland) Limited, Mainstream Fund Services Pty Ltd and Mainstream Superannuation Services Pty Ltd.

The table below outlines the annual remuneration arrangements for all Non-Executive Directors in 2019 and planned fees for 2020. The fees shown include fees paid as members of both Group and subsidiary Boards:

Non-Executive Director	FY19	FY20
Byram Johnston OAM	$290,000	$290,000
John Plummer	$60,000	$60,000
Lucienne Layton*	$80,000	–
JoAnna Fisher	$60,000	$60,000
Debbie Last^	–	$80,000
Total Remuneration – Non-Executive Directors	**$490,000**	**$490,000**

* Lucienne Layton ceased to be a director on 15 March 2019.

^ Debbie Last was appointed to the Board as an independent director on 1 July 2019 and also became Chair of the Audit and Risk Committee effective 1 July 2019.

4. EXECUTIVE DIRECTOR PERFORMANCE AND REMUNERATION OUTCOMES

4.1 Director Share Offer ("DSO") overview

In prior performance years Executive Directors of the Company participated in the DSO. They were awarded Performance Rights ("PR") that entitled the holder to be issued one share for each Performance Right at no cost should the agreed vesting conditions be met.

The vesting conditions were designed to align remuneration with creation of shareholders' value over the longer term. Each offer vested over a three year period in three equal tranches.

The DSO has been closed for any further invitations. Martin Smith and Byram Johnston OAM were the only directors eligible to participate in the Offer. Mr Johnston was an Executive Director until 1 October 2018 when he became a Non-Executive Director.

The following securities were issued under the DSO during the twelve months to 30 June 2019 following approval to issue the securities under ASX Listing Rule 10:14:

Director	Performance Year (PY) and tranche	Vesting date	Shares issued
Byram Johnston OAM	DSO PY16 Tranche 3	1/10/2018	80,000
Martin Smith	DSO PY16 Tranche 3	1/10/2018	33,333

4.2 DSO outcome for Performance Year ("PY") 2017 and 2018

The performance hurdles for DSO PY17 tranche 3 and PY18 tranche 2 were not met and the rights have lapsed.

The participants of the DSO have agreed to waive their rights and the Directors will allow the final tranche of the program to lapse for nil consideration.

4. EXECUTIVE DIRECTOR PERFORMANCE AND REMUNERATION OUTCOMES continued

4.3 Senior Management Share Offer ("SMSO") overview

In prior performance years Executive Directors participated in the SMSO. The Offer provided Performance Rights that entitle the holder to be issued one share for each Performance Right at no cost should the agreed performance conditions be met. A combination of financial and non-financial measures were used to measure performance under the SMSO.

The SMSO has been closed for any further invitations and replaced by the Long Term Incentive (LTI) program. There are still remaining SMSO tranches that continue to vest as per the agreed vesting schedule.

Martin Smith and Byram Johnston OAM are the only directors eligible to participate in the Offer. Mr Johnston was an Executive Director until 1 October 2018 when he became a Non-Executive Director. He remains eligible to receive unvested tranches relating to previous performance years when he was an executive director, subject to shareholder approval and vesting conditions.

The following securities were issued under the SMSO during the twelve months to 30 June 2019 following approval to issue the securities under ASX Listing Rule 10:14:

Director	Performance Year (PY) and tranche	Vesting date	Shares issued
Byram Johnston OAM	SMSO PY16 Tranche 3	1/10/2018	45,000
	SMSO PY17 Tranche 2	1/10/2018	45,000
	SMSO PY18 Tranche 1	1/10/2018	27,000
Martin Smith	SMSO PY16 Tranche 3	1/10/2018	120,000
	SMSO PY17 Tranche 2	1/10/2018	120,000
	SMSO PY18 Tranche 1	1/10/2018	113,333

4.4 Remaining SMSO vesting schedule

The following is the SMSO remaining vesting schedule:

		Remaining vesting schedule SMSO		
Director	Performance Year (PY)	1 Oct 2019	1 Oct 2020	Total
Byram Johnston OAM	SMSO PY17 Tranche 3	45,000	–	45,000
	SMSO PY18 Tranche 2	37,500	–	37,500
	SMSO PY18 Tranche 3	–	37,500	37,500
Martin Smith	SMSO PY17 Tranche 3	120,000	–	120,000
	SMSO PY18 Tranche 2	113,333	–	113,333
	SMSO PY18 Tranche 3	–	113,333	113,333

4.5 Long Term Incentive (LTI) "PY" 2019

At the Annual General Meeting in September 2018 the shareholders voted to award the CEO 500,000 performance rights to vest as per the following table and based on meeting performance hurdles set by the Board.

		Vesting Schedule LTI PY19*			
CEO	Performance Year (PY)	1 Oct 2019	1 Oct 2020	1 Oct 2021	Total
Martin Smith	LTI PY19 Tranche 1	166,666	–	–	166,666
	LTI PY19 Tranche 2	–	166,666	–	166,666
	LTI PY19 Tranche 3	–	–	166,667	166,667

* Table assumes 100% achievement. Actual achievement to be determined by the Board post the date of this report.

As the Company operates its annual performance cycle from 1 October to 30 September, the performance outcome for the CEO has not been finalised as at the date of this report. It is anticipated that the outcome of the LTI PY19 will be 65% achievement of KPIs totalling 325,000 shares.

The Board assessed all available information in order to determine an appropriate performance percentage (%) against agreed performance conditions. Actual payments will be stated in the FY20 Remuneration Report.

Remuneration Report continued

5. DETAILS OF REMUNERATION PAID

The total amount paid to KMP of the Company for year ended 30 June 2019 is detailed below:

Remuneration expense during the year ended 30 June 2019

	Short term benefits		Post-Employment	Long-term benefits	Share-based payments	
	Salary & fees $	Other Benefits* $	Superannuation (or equivalent) $	Long Service Leave $	Incentive $	Total Remuneration $
Non-Executive Directors						
Byram Johnston OAM^	296,741	–	3,904	–	162,400	463,045
John Plummer	54,795	–	5,205	–	–	60,000
Lucienne Layton^^	49,514	–	4,704	–	–	54,218
JoAnna Fisher	54,795		5,205	–	–	60,000
Executive Directors						
Martin Smith	535,490	–	20,531	–	270,666	826,687
Executives						
Nicholas Happell**	216,356	–	19,854	–	138,320	374,530
Denise DePaola	489,365	–	13,283	–	167,995	670,643
John McCann	438,947	–	21,947	–	–	460,894
TOTAL KMP	**2,136,003**	**–**	**94,633**	**–**	**739,381**	**2,970,017**

* Other benefits may include non-cash items such as motor vehicle and mobile phone allowances.

^ Byram Johnston OAM moved from Executive to Non-Executive Chairman on 1 October 2018.

^^ Lucienne Layton ceased to be a director on 15 March 2019.

** Nicholas Happell assumed the role of CEO, Asia-Pacific effective 1 October 2018.

Remuneration expense during the year ended 30 June 2018

	Short term benefits		Post-Employment	Long-term benefits	Share-based payments	
	Salary & fees $	Other Benefits* $	Superannuation (or equivalent) $	Long Service Leave $	Incentive $	Total Remuneration $
Non-Executive Directors						
John Plummer	54,795	–	5,205	–	–	60,000
Lucienne Layton	61,644	–	5,856	–	–	67,500
JoAnna Fisher	9,132		868			10,000
Executive Directors						
Byram Johnston OAM	355,149	–	16,725	–	141,250	513,124
Martin Smith	445,206	–	20,049	–	173,266	638,521
Executives						
Denise DePaola	415,861	–	12,181	–	175,949	603,991
John McCann	325,922	–	16,296	–	–	342,218
Michael Houlihan^	296,474	–	20,049	–	60,266	376,789
TOTAL KMP	**1,964,183**	**–**	**97,229**	**–**	**550,731**	**2,612,143**

* Other benefits may include non-cash items such as motor vehicle and mobile phone allowances.

^ The Board did not consider Michael Houlihan to be a KMP during the year ended 30 June 2019. The role of CEO, Mainstream Superannuation Services, was made redundant effective 30 September 2018.

6. EMPLOYMENT AGREEMENTS

The terms and conditions of employment, including remuneration arrangements, are formalised in employment agreements. The following outlines the details of contracts with senior management:

Employment provisions

Name	Position	Contract term	End date	Resignation notice period	Termination without cause	Restraint on soliciting employees and clients	Restraint on non-compete	Termination Payments
Martin Smith	CEO, Group	3 years	30 Apr 2020	3 months	3 months	12 months	12 months	Nil
Denise DePaola	CEO, Americas	4 years	30 Sep 2020	6 months	6 months	12 months	12 months	Nil
John McCann	CEO, Europe	3 years	30 Sep 2020	3 months	3 months	12 months	12 months	Nil
Nick Happell	CEO, Asia-Pacific	Ongoing	N/A	3 months	3 months	12 months	12 months	Nil

7. SERVICE AGREEMENTS

The terms and conditions of Non-Executive Director appointments, including remuneration arrangements, are formalised in service agreements. The following outlines the details of service agreements with Non-Executive Directors:

Service agreements

Name	Position	Term of appointment[1]	Termination notice period
Byram Johnston OAM	Non-Executive Chairman	3 years	3 months
John Plummer	Non-Executive Director	3 years	4 weeks
JoAnna Fisher	Non-Executive Director	3 years	4 weeks
Debbie Last	Non-Executive Director	3 years	4 weeks

8. DIRECTORS' SHAREHOLDINGS

The number of direct and indirect shares held during the year to 30 June 2019 by each Director is set out on page 10 of the Directors' Report.

Signed in accordance with a resolution of the Directors:

Byram Johnston OAM
Non-Executive Chairman

Date: 20 August 2019
Sydney

1. Term of appointment is maximum term which could be reduced if the Director is not re-elected by shareholders of the Group.

Auditor’s Independence Declaration

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Mainstream Group Holdings Limited

As lead auditor for the audit of Mainstream Group Holdings Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mainstream Group Holdings Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

R Da Silva

Rita Da Silva
Partner
20 August 2019

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Liability limited by a scheme approved under Professional Standards Legislation

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Revenue			**Restated**
Fee income from contracts with customers		45,548,485	38,126,010
Other operating income		2,502,736	2,386,055
Interest income		1,980,852	861,942
Total revenue	5	**50,032,073**	**41,374,007**
Expenses			
Employee benefits expense		28,623,159	23,399,196
Accounting and audit fees		789,459	875,027
Bank fees and charges		207,882	217,899
Insurance		658,513	481,246
Interest expense		418,275	934,825
IT support and expenses		6,774,445	5,760,263
Legal fees		169,129	52,526
Consulting fees		254,713	70,237
Occupancy		3,504,219	2,783,628
Acquisition costs		36,378	206,843
General and other expenses		1,577,584	1,173,054
Share-based payments expense	6	1,697,114	1,309,747
Depreciation expense	11	1,281,416	826,380
Amortisation expense	12	1,646,982	646,552
Goodwill impairment	12	2,847,286	–
Total expenses		**50,486,554**	**38,737,423**
(Loss)/profit before income tax expense		**(454,481)**	**2,636,584**
Income tax expense	7	686,084	897,514
(Loss)/profit after income tax expense		**(1,140,565)**	**1,739,070**
Other comprehensive (loss)/income			
Exchange differences on translation of foreign subsidiaries		286,842	407,084
Other comprehensive income for the year, net of tax		**286,842**	**407,084**
Total comprehensive (loss)/income for the year		**(853,723)**	**2,146,154**
Earnings per share (EPS):			
Basic earnings per share	4	($0.0092)	$0.0163
Diluted earnings per share	4	($0.0092)	$0.0156

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
Assets			
Current Assets			
Cash and cash equivalents	8	11,676,758	4,930,872
Trade and other receivables	9	4,909,370	4,509,397
Contract assets		3,365,643	1,595,761
Other current assets	10	2,203,987	1,996,348
Total Current Assets		**22,155,758**	**13,032,378**
Non-Current Assets			
Property, plant and equipment	11	5,555,916	4,395,799
Intangible assets	12	22,010,069	26,501,809
Total Non-Current Assets		**27,565,985**	**30,897,608**
Total Assets		**49,721,743**	**43,929,986**
Liabilities			
Current Liabilities			
Trade creditors and accrued expenses	13	3,301,213	2,865,010
Provision for employee benefits	14	973,456	921,317
Provision for income tax		543,863	457,130
Deferred consideration	15	780,619	743,006
Interest-bearing liabilities	16	1,000,000	2,000,000
Other current liabilities	17	1,068,632	2,406,397
Total Current Liabilities		**7,667,783**	**9,392,860**
Non-Current Liabilities			
Provision for employee benefits	14	73,536	81,751
Deferred consideration	15	425,668	1,168,674
Interest-bearing liabilities	16	5,850,486	6,721,499
Net deferred tax liabilities	7	605,227	1,178,122
Total Non-Current Liabilities		**6,954,917**	**9,150,046**
Total Liabilities		**14,622,700**	**18,542,906**
Net Assets		**35,099,043**	**25,387,080**
Equity			
Contributed capital	19	34,391,456	21,362,244
Reserves	20	2,144,333	1,979,755
Retained (losses) / earnings		(1,436,746)	2,045,081
Total Equity		**35,099,043**	**25,387,080**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

Consolidated	Contributed Capital $	Reserves $	Retained Earnings $	Total Equity $
Balance at 1 July 2017	**16,260,043**	**827,117**	**1,664,323**	**18,751,483**
Profit after income tax expense	–	–	1,739,070	1,739,070
Other comprehensive income, net of tax	–	407,084	–	407,084
Total comprehensive income, net of tax	**–**	**407,084**	**1,739,070**	**2,146,154**
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(1,358,312)	(1,358,312)
Dividends reinvested	565,268	–	–	565,268
Shares issued under Entitlement Offer	4,116,829	–	–	4,116,829
Transaction costs, net of tax	(144,089)	–	–	(144,089)
Shares issued under Employee Share Plans	564,193	(564,193)	–	–
Share-based payments	–	1,309,747	–	1,309,747
Balance at 30 June 2018	**21,362,244**	**1,979,755**	**2,045,081**	**25,387,080**
Balance at 1 July 2018	**21,362,244**	**1,979,755**	**2,045,081**	**25,387,080**
Loss after income tax expense	–	–	(1,140,565)	(1,140,565)
Other comprehensive income, net of tax	–	286,842	–	286,842
Total comprehensive income/(loss), net of tax	**–**	**286,842**	**(1,140,565)**	**(853,723)**
Transactions with owners in their capacity as owners:				
Dividends paid (Note 21)	–	–	(2,057,965)	(2,057,965)
Dividends reinvested	575,841	–	–	575,841
Shares issued under Private Placement	9,500,000	–	–	9,500,000
Shares issued under Share Purchase Plan	794,008	–	–	794,008
Transaction costs, net of tax	(367,705)	–	–	(367,705)
Shares issued under deferred considerations	424,393	–	–	424,393
Shares issued under Employee Share Plans	2,102,675	(2,102,675)	–	–
Share-based payments	–	1,697,114	–	1,697,114
Transfer to retained earnings	–	(416,703)	416,703	–
Transfer to profit reserve	–	700,000	(700,000)	–
Balance at 30 June 2019	**34,391,456**	**2,144,333**	**(1,436,746)**	**35,099,043**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Income received		45,881,366	39,708,993
Operating expenses paid		(43,557,137)	(35,158,616)
Interest received		1,980,852	861,942
Interest paid		(321,846)	(927,382)
Income tax paid		(468,881)	(783,329)
Net cash inflow from operating activities	**8(b)**	**3,514,354**	**3,701,608**
Cash flows from investing activities			
Purchase of capitalised software & equipment	11	(2,397,276)	(2,894,170)
Payments for acquisitions, net of cash received	12	–	(1,606,328)
Payment of deferred consideration and amounts owing to previous shareholders		(1,697,965)	–
Purchase of intangible assets		–	(3,708,868)
Net cash outflow from investing activities		**(4,095,241)**	**(8,209,366)**
Cash flows from financing activities			
Shares issued		10,294,008	4,116,829
Transaction costs paid		(367,705)	(205,841)
Proceeds from interest bearing liabilities, net of fees		–	12,608,337
Repayment of interest bearing liabilities		(2,000,000)	(12,814,318)
Dividends paid		(763,306)	(793,043)
Net cash inflow from financing activities		**7,162,997**	**2,911,964**
Net increase/(decrease) in cash and cash equivalents during the year		6,582,110	(1,595,794)
Effects of exchange rate changes on cash and cash equivalents		163,776	104,603
Cash at the beginning of the year		4,930,872	6,422,063
Cash at the end of the year	**8(a)**	**11,676,758**	**4,930,872**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

NOTE 1. CORPORATE INFORMATION

The consolidated financial statements of Mainstream Group Holdings Limited and its subsidiaries (collectively, "the Group") for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 20 August 2019.

Mainstream Group Holdings Limited ("Mainstream", "the Company" or "the Parent") is a for-profit company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange ("ASX"). The Group's principal place of business is Level 1, 51-57 Pitt Street, Sydney NSW 2000.

Further information on the nature of the operations and principal activities of the Group is provided in the Directors' Report.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis unless stated otherwise and is presented in Australian dollars.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial reporting period, except where otherwise stated.

(b) New, revised or amending Accounting Standards and Interpretations adopted

The Group applied AASB 15 *Revenue from Contracts with Customers*, AASB 9 *Financial Instruments* and other amendments and interpretations for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

AASB 15 *Revenue from Contracts with Customers* superseded AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted AASB 15 using the full retrospective method of adoption. Before adoption of AASB 15, the Group recognised trade and other receivables, even if the receipt of the total consideration was conditional on billing the clients. Under AASB 15, any earned consideration that is conditional should be recognised as a contract asset. Therefore, the Group restated the comparatives and reclassified $1,595,761 from trade and other receivables to contract assets as at 30 June 2018.

The impact of the adoption of AASB 15 on the statement of financial position as at 1 July 2018 was as follows:

Balance sheet – extract	30 June 2018 $	AASB 15 $	1 July 2018 $
Current Assets			
Trade and other receivables	6,105,158	(1,595,761)	4,509,397
Contract assets	–	1,595,761	1,595,761
Net Assets	**25,387,080**	**–**	**25,387,080**
Total Equity	**25,387,080**	**–**	**25,387,080**

AASB 9 *Financial Instruments* replaced AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied AASB 9 with an initial application date of 1 July 2018. The majority of the Group's receivables are currently classified as trade receivables and contract assets and measured at amortised cost. The adoption of AASB 9 has not resulted in any significant change to the classification and measurement of financial assets as these financial assets meet the conditions for classification at amortised cost under AASB 9.

There has been no impact on the Group accounting for financial liabilities as the new standard affected the accounting for financial liabilities that are designated at fair value through profit or loss.

AASB 9 has changed the Group's accounting for impairment losses on financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The Group has performed an assessment of the impact of AASB 9 on the measurement of expected credit losses on adoption. Based on the assessment, the impact was not material.

The Group has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement, and accordingly has not restated prior periods in the year of initial application.

Several other amendments and interpretations applied for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations, or amendments that have been issued but are not yet effective.

(c) Accounting Standards and Interpretations issued but not yet effective

The Australian and International Accounting Standards issued but not yet mandatory for the 30 June 2019 reporting period are disclosed below. The Group intends to adopt these standards, as applicable, when they become effective.

AASB 16 Leases

AASB 16 was issued in January 2016 and it replaces AASB 117 *Leases*. AASB 16 provides a single model for accounting for leases by lessees. Leases other than low value and short-term leases must be recognised on the statement of financial position of lessees. The lessee will recognise an asset, reflecting its right to use the underlying asset, and a liability, in respect of its obligation to make lease payments. Expenses in respect of

Notes to the Financial Statements

leases will include amortisation of the right-of-use asset and interest expense in respect of the lease liability. Lessors will continue to account for leases as either operating or finance leases. For operating leases, the underlying asset remains on the lessor's balance sheet. For finance leases, the underlying asset is derecognised and a lease receivable is recognised.

The new standard will be effective for the Group from 1 July 2019. The Group plans to apply the simplified transition approach which does not restate any comparative information. The Group will elect to apply the standard to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4.

The Group has performed an impact assessment of AASB 16. The Group expects to recognise right-of-use assets of approximately $4.2 million and lease liabilities of approximately $4.7 million on 1 July 2019. The impact on Net Profit After Tax is not expected to be material. However further work still needs to be carried out to determine the full effect of AASB 16 on its consolidated financial statements.

(d) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 28.

(e) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mainstream Group Holdings Limited ("Mainstream Group") as at 30 June 2019 and the results of all subsidiaries for the year then ended. Mainstream Group and its subsidiaries together are referred to in these financial statements as the ("Group").

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

> Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

> Exposure, or rights, to variable returns from its involvement with the investee

> The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

> The contractual arrangement(s) with the other vote holders of the investee

> Rights arising from other contractual arrangements

> The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(f) Foreign currency translation

The financial report is presented in Australian dollars, which is Mainstream's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

On consolidation, the assets and liabilities of foreign entities whose functional currency differs from the presentation currency are translated into Australian dollars at the rate of exchange at the balance sheet date. Differences arising on the translation are recognised to the foreign currency translation reserve.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(g) Revenue

The Group is in the business of providing fund administration and custodian services. Revenue from contracts with customers is recognised when services are transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Revenue is measured at the fair value of the consideration received or receivable.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(g) Revenue continued

Fee income

Fee income arises from providing fund administration and custodian services, which are typically based on funds under management, the number of transactions processed and number of investors or members. Fee income is recognised in line with the actual service provided to the end of the reporting period. This is determined based on the actual fund value, numbers of transactions and numbers of investors etc.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue includes out of pocket expense recovery and other income derived from activities unrelated to the main business. It is recognised when it is received or when the right to receive payment is established.

(h) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

> When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

> When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Mainstream Group and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding arrangements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Any unused tax losses and unused tax credits arising from the overseas companies have not been recognised as a current tax asset.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(j) Trade and other receivables and contract assets

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for 'expected credit loss' ("ECL"). Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any provision for ECL.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Notes to the Financial Statements

The Group applies the simplified approach and records lifetime expected losses on all eligible financial assets. If the general model is applied, expected credit losses on financial assets are recorded either on a 12-month or lifetime basis. The Group considers a financial asset is in default when contractual payments are 90 days' past due or when information indicates that the Group is unlikely to receive the outstanding amount in full. However, when internal or external information indicates an outstanding amount is likely to be received, the Group may not consider a financial asset to be in default.

(k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Office Equipment – 2 to 5 years
Computer Equipment – 2 to 5 years
Software – 2 to 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(l) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(m) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. The assessment of the indefinite life is conducted in accordance with the criteria set forth in AASB 138 *Intangible Assets*. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period. The useful lives of intangible assets are assessed as either finite or indefinite.

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Customer contracts and relationships

Customer contracts and relationships acquired as part of a business combination are recognised separately from goodwill. Customer contracts and relationships with an indefinite useful life are carried at their fair value at the date of acquisition less any accumulated impairment loss. Customer contracts and relationships with a finite useful life (15 years) are measured at cost less amortisation and any impairment.

Impairment of non-financial assets

All non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indicator or objective evidence of impairment exists, an estimate of the asset's recoverable amount is made. An impairment loss is recognised in the profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(n) Trade creditors and accrued expenses

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Financial Liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Refer to note 16 for further details on the interest-bearing loan.

(p) Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(q) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave are recognised in current liabilities in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(r) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Dividends

Dividends are recognised when declared during the financial year.

(t) Earnings per share

Basic earnings per share is calculated as net profit/(loss) after income tax expense for the year divided by the weighted average number of ordinary shares on issue. Diluted earnings per share is calculated by adjusting the basic earnings per share to take into account the effect of any costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Refer to note 4 for further details.

(u) Share-based payments

Share based compensation benefits (equity-settled) may be provided to employees. The fair value of the shares granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period in which employees become unconditionally entitled to the shares.

The fair value of the shares at grant date is determined using an acceptable model that takes into account the share price at grant date, the expected dividend yield, the risk-free interest rate for the term and any restrictions on the shares. The fair value of the shares granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At each reporting date, the Company revises its estimate of the number of shares that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction.

(v) Goods and Services Tax ("GST") and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Notes to the Financial Statements

(w) Critical accounting judgements, estimates and errors

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Assessment of impairment of financial assets

The impairment of financial assets assessment requires a degree of estimation and judgement and takes into account the recent experience, the ageing of receivables,historical collection rates and specific knowledge of the individual debtors financial position.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations, loss of customers or some other event. For intangible assets with a finite life the amortisation period is typically 15 years. This is reviewed at least annually.

Non-market vesting conditions

Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest for Senior Management and Director share-based payment awards. At each reporting date, the Group revises its estimate of the number of shares that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

Prior year adjustments

During the year, the Group reviewed the intercompany treatment between all of its subsidiaries and identified an overstatement which required elimination of intercompany revenue and expenses between two acquired subsidiaries for the financial year ended 30 June 2018. This has been corrected by restating the prior periods as follows:

Statement of profit or loss – extract	2018 $	Profit Increase/ (decrease) $	2018 Restated $
Fee income from contracts with customers	38,528,655	(402,645)	**38,126,010**
Employee benefits expense	23,801,841	402,645	**23,399,196**
Profit before income tax expense	**2,636,584**	**–**	**2,636,584**

There is no change to total comprehensive income nor earnings per share.

NOTE 3. SEGMENT REPORTING

The chief operating decision makers (being the Board of Directors) currently consider and report on the business units' operating results and financial position as one reportable operating segment – Fund Services.

Based on the internal management structure, the Group is organised into business units based on geographic locations and has the following reportable segments:

> Asia-Pacific (APAC), which includes Australia, Singapore, Hong Kong;

> the Americas, which includes the USA and the Cayman Islands; and

> Europe, which includes Ireland, the Isle of Man and Malta.

2019	APAC $	Americas $	Europe $	Elimination^ $	Consolidated $
Revenue					
External customers	36,008,692	8,735,574	5,287,807	–	50,032,073
Intercompany revenue	(305,504)	–	1,332,027	(1,026,523)	–
Intercompany dividends	5,469,353	–	–	(5,469,353)	–
Total revenue	**41,172,541**	**8,735,574**	**6,619,834**	**(6,495,876)**	**50,032,073**
Expenses					
Operating expenses	10,588,078	2,001,693	1,496,491	(79,073)	14,007,189
Employee benefits expenses	20,604,583	6,233,655	4,429,485	(947,450)	30,320,273
Impairment of trade receivables	336,583	–	46,825	–	383,408
Impairment of intangible asset	2,847,286	–	–	–	2,847,286
Depreciation and amortisation	2,825,608	13,876	88,914	–	2,928,398
Total expenses	**37,202,138**	**8,249,224**	**6,061,715**	**(1,026,523)**	**50,486,554**
Profit/(loss) before tax	**3,970,403**	**486,350**	**558,119**	**(5,469,353)**	**(454,481)**
Total assets	**44,921,168**	**3,584,818**	**3,710,250**	**(2,494,493)**	**49,721,743**
Total liabilities	**11,118,524**	**2,407,286**	**1,096,890**	**–**	**14,622,700**

^ These are consolidation entries to remove transactions between companies in the group and combine the subsidiary companies' financial results into the parent company.

2018	APAC $	Americas* $	Europe $	Elimination^ $	Consolidated $
Revenue					
External customers	31,428,677	5,509,245	4,436,085	–	41,374,007
Intercompany revenue	(136,919)	–	539,564	(402,645)	–
Total revenue	**31,291,758**	**5,509,245**	**4,975,649**	**(402,645)**	**41,374,007**
Expenses					
Operating expenses	9,684,395	1,622,207	1,067,574	–	12,374,176
Employee benefits expenses	17,841,551	3,940,238	3,329,799	(402,645)	24,708,943
Impairment of trade receivables	212,380	–	(31,008)	–	181,372
Depreciation and amortisation	1,377,104	5,253	90,575	–	1,472,932
Total expenses	**29,115,430**	**5,567,698**	**4,456,940**	**(402,645)**	**38,737,423**
Profit before tax	**2,176,328**	**(58,453)**	**518,709**	**–**	**2,636,584**
Total assets	**40,199,274**	**2,386,564**	**3,838,641**	**(2,494,493)**	**43,929,986**
Total liabilities	**15,846,436**	**1,736,585**	**959,885**	**–**	**18,542,906**

* The group had operations in Ireland (Europe) and the Cayman Islands (Americas) for nine months during the year ended 30 June 2018.

^ These are consolidation entries to remove transactions between companies in the group and combine the subsidiary companies' financial results into the parent company.

Notes to the Financial Statements

NOTE 4. EARNINGS PER SHARE ("EPS")

Basic EPS is calculated by dividing the profit after tax for the period attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. Where a Company has an accounting loss, the diluted EPS is equal to the basic EPS due to the contingently issued ordinary shares being excluded from the calculation.

The following table reflects the income and share data used in the basic EPS computations:

	2019 $	2018 $
(Loss)/profit attributable to ordinary equity holders of the parent:	**(1,140,565)**	**1,739,070**
	Shares	Shares
Weighted average number of ordinary shares for basic EPS	124,164,733	106,648,080
Effects of dilution from:		
> Employee Share Plans	2,500,473	3,449,157
> Trinity Share Deferred Consideration	1,841,945	1,841,945
Weighted average number of ordinary shares adjusted for the effects of dilution	**128,507,151**	**111,939,182**

As at 30 June 2019, there were 128,977,954 ordinary shares outstanding (2018: 109,409,957).

The calculation of weighted average number of ordinary shares outstanding takes into account the issuance of:

> 455,343 fully paid ordinary shares in connection with the Company's Dividend Reinvestment Plan ("DRP") on 12 September 2018;
> 13,571,429 fully paid ordinary shares under the Company's Private Placement on 20 September 2018;
> 919,592 fully paid ordinary shares in connection with the Company's deferred consideration on 2 October 2018;
> 3,057,308 fully paid ordinary shares under the Company's Employee Share Plan on 2 October 2018; and
> 1,134,297 fully paid ordinary shares under the Company's Share Purchase Plan on 23 October 2018.
> 430,028 fully paid ordinary shares in connection with the Company's DRP on 18 April 2019.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

NOTE 5. REVENUE

	Consolidated	
	2019 $	2018 $
Fee income from contracts with external customers	45,548,485	38,126,010
Other operating income	2,502,736	2,386,055
Interest income	1,980,852	861,942
Total revenue	**50,032,073**	**41,374,007**

Disaggregation of revenue (Geographical)	APAC $	America $	Europe $	Total $
2019				
Fee income from contracts with customers	31,533,418	8,729,962	5,285,105	45,548,485
Other operating income	2,493,632	6,050	3,054	2,502,736
Interest income	1,981,642	(438)	(352)	1,980,852
Total revenue	**36,008,692**	**8,735,574**	**5,287,807**	**50,032,073**
2018				
Fee income from contracts with customers	28,067,088	5,510,476	4,548,446	38,126,010
Other operating income	2,365,384	(1,251)	21,922	2,386,055
Interest income	859,285	20	2,637	861,942
Total revenue	**31,291,757**	**5,509,245**	**4,573,005**	**41,374,007**

NOTE 6. SHARE BASED PAYMENTS

The Company has in place an Employee Share Plan ("ESP"). The ESP is a plan under which Directors, senior management and eligible employees may be allocated Awards as a means of retaining their service and aligning their interests with shareholders. Awards can be issued in the form of Performance Rights, Options or Restricted Shares.

The Employee Share Offer grants eligible employees who are not invited to participate in the other offers up to $2,000 of shares for nil consideration as an employee benefit.

The Short Term Incentive ("STI"), previously known as the Management Share Offer, grants Performance Rights to the broader management team in recognition of key performance indicator ("KPI") achievement and performance. The Company may at its discretion provide other bonuses. Any discretionary bonuses awarded are reported with the STI numbers presented below.

The Long Term Incentive, introduced in September 2018 to replace the Director Share Offer ("DSO") and Senior Management Share Offer ("SMSO"), grants Performance Rights to Executive Directors and senior management subject to achievement of various performance measures tied to the Company's profitability and KPIs.

The total expense recognised for share-based payments during the years ended 30 June 2019 and 30 June 2018 are:

	Consolidated	
	2019 $	2018 $
Share-based payments		
Employee Share Offer	229,023	152,846
Short Term Incentive ^	1,203,976	825,644
Long Term Incentive*	264,115	331,257
Total share-based payments expense	**1,697,114**	**1,309,747**

^ Increase in STI attributable to sign-on bonus for key personnel.

* The LTI plan includes vested tranches of Awards issued under the DSO and SMSO from prior performance years. In the current and future performance years these plans are replaced by the LTI plan.

The participants of the DSO have agreed to waive their rights and the Directors will allow the final tranche of the program to lapse for nil consideration. The number of shares granted during the year and weighted average share prices ("WASP") are shown below.

	2019 Number $	2019 WASP $	2018 Number $	2018 WASP $
Shares granted during the year	2,871,694	0.641	2,432,853	0.583

Notes to the Financial Statements

NOTE 7. INCOME TAX

The Group calculates the period income tax expense using the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The major components of income tax expense in the consolidated statement of profit or loss for the years ended 30 June 2019 and 2018 are:

	Consolidated	
	2019 $	2018 $
(a) Current income tax		
Current income tax	1,199,898	740,804
Current tax adjustment for prior periods	(98,507)	68,329
Deferred tax (benefit)/expense	(415,307)	88,381
Income tax expense	**686,084**	**897,514**
Deferred tax included in income tax expense comprises:		
Movement in deferred tax assets	(26,081)	(73,044)
Movement in deferred tax liabilities	(389,226)	161,425
Deferred tax (benefit)/expense	**(415,307)**	**88,381**
Reconciliation of income tax expense and accounting profit		
(Loss)/profit before income tax expense	(454,481)	2,636,584
Tax at the statutory rate of 30% (2018: 30%)	(136,344)	790,975
Add:		
Share based payments	509,134	392,924
Tax rate differential in other jurisdictions	(567,761)	(362,534)
Adjustments to prior periods	(108,258)	68,329
Amortisation of intangible assets	95,042	–
Impairment of goodwill	854,186	–
Other	40,085	7,820
Income tax expense at effective tax rate	**686,084**	**897,514**
(b) Analysis of deferred tax		
Deferred tax asset relates to:		
Provisions	350,377	314,255
Accruals	322,022	162,359
Foreign tax loss carried forward	–	34,178
Equity raising costs	252,694	230,632
	925,093	**741,424**
Deferred tax liability relates to:		
Property, plant and equipment	135,088	175,183
Finite life intangible assets	1,395,232	1,744,363
	1,530,320	**1,919,546**
Net deferred tax liability	**605,227**	**1,178,122**
(c) Income tax benefit charged directly to equity		
Transaction costs associated with share issue	157,588	43,227

The Group's effective tax rate for the year ended 30 June 2019, excluding goodwill impairment and share-based payments, was 17% (2018: 23%).

NOTE 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	Consolidated	
	2019 $	2018 $
Cash at bank	**11,676,758**	**4,930,872**

(b) Reconciliation of Cash Flow from Operating Activities

	Consolidated	
	2019 $	2018 $
(Loss)/profit after tax	(1,140,565)	1,739,070
Adjustments for:		
Amortisation expense	1,646,982	646,552
Depreciation expense	1,281,416	826,380
Impairment of goodwill	2,847,286	–
Share-based payments	1,697,114	1,309,747
Changes in operating assets and liabilities		
Increase in receivables	(399,973)	(682,913)
Increase in contract assets	(1,769,882)	(522,803)
Increase in trade creditors and accrued expenses	436,203	479,223
Increase in other assets	(207,639)	(642,220)
(Decrease)/increase in other liabilities	(876,588)	548,572
Cash inflows from operating activities	**3,514,354**	**3,701,608**

(c) Non-cash financing activities

	Consolidated	
	2019 $	2018 $
Issue of shares under the DRP	**575,841**	**565,268**

NOTE 9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2019 $	2018 $
Trade debtors	5,266,857	4,669,397
Allowance for expected credit loss (Note 23)	(357,487)	(160,000)
	4,909,370	**4,509,397**

NOTE 10. CURRENT ASSETS – OTHER

	Consolidated	
	2019 $	2018 $
Deposit bonds	1,299,601	1,161,443
Prepayments	775,811	707,669
Other	128,575	127,236
	2,203,987	**1,996,348**

Deposit bonds relate to rental bonds held for office premises as well as a $500,000 Settlement Bond to ASX Settlement Pty Ltd for use of the ASX mFunds platform.

Notes to the Financial Statements

NOTE 11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2019 $	Consolidated 2018 $
Office Equipment – at cost	1,157,825	534,889
Less: Accumulated depreciation	(519,376)	(364,228)
	638,449	**170,661**
Computer Equipment – at cost	1,301,981	900,292
Less: Accumulated depreciation	(934,290)	(605,752)
	367,691	**294,540**
Capitalised software – at cost	7,763,064	6,161,694
Less: Accumulated amortisation	(3,213,288)	(2,231,096)
	4,549,776	**3,930,598**
Total property, plant and equipment	**5,555,916**	**4,395,799**

The gross carrying amount of fully depreciated property, plant and equipment that is still in use as at 30 June 2019 was $2,123,853 (2018: $1,116,400).

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Office Equipment $	Computer Equipment $	Capitalised Software $	Total $
Balance at 1 July 2017	**58,859**	**174,575**	**2,083,903**	**2,317,337**
Foreign exchange	225	1,334	9,113	10,672
Additions	162,859	284,470	2,446,841	2,894,170
Depreciation expense	(51,282)	(165,839)	(609,259)	(826,380)
Balance at 30 June 2018 and 1 July 2018	**170,661**	**294,540**	**3,930,598**	**4,395,799**
Foreign exchange	2,768	5,388	36,101	44,257
Additions*	590,130	257,026	1,550,120	2,397,276
Depreciation expense	(125,111)	(189,263)	(967,042)	(1,281,416)
Balance at 30 June 2019	**638,448**	**367,691**	**4,549,777**	**5,555,916**

* Additions include IT expenditure on key client projects for future products and technology upgrades to improve processing efficiency and comply with legislative changes. Examples include upgrades to HiTrust and Composer software, workflow enhancements, service level agreement reporting, automated client reporting, investor portal development and development of an online investor application.

NOTE 12. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated 2019 $	Consolidated 2018 $
Business combinations – goodwill	10,315,415	13,162,701
Other intangible assets	11,694,654	13,339,108
	22,010,069	**26,501,809**

A reconciliation of the opening and closing balances is set out below:

	Goodwill $	Other Intangible Assets $	Total $
Opening balance at 1 July 2018	**13,162,701**	**13,339,108**	**26,501,809**
Amortisation expense	–	(1,646,982)	(1,646,982)
Exchange difference	–	2,528	2,528
Goodwill impairment	(2,847,286)	–	(2,847,286)
Closing balance at 30 June 2019	**10,315,415**	**11,694,654**	**22,010,069**

The Group performs its annual impairment test for intangible assets with indefinite useful lives and for Goodwill as at 30 June of each respective financial year. The recoverable amount of intangible assets has been determined based on a value-in-use method using a discounted cash flow model, based on revenue projection over a 5 year period, together with a terminal value. The Group considered the long term revenue and market share growth rate against an internally developed range of benchmarks and assumptions of growth rate and terminal rate which are consistent with current business performance and longer term strategy. The growth rate of 5% (2018: 5%) and terminal growth rate of 3% (2018: 3%) were applied to the model. The discount rate of 10.8% (2018: 12%) pre-tax reflects management's estimate of the time value of money and Group's weighted average cost of capital.

In September 2018, after the Company received a termination notice from Combined Super Fund, a review of the useful lives of intangible assets within the CGU was undertaken. Management assessment determined the Combined Super Fund Customer Contracts had a finite useful life and amortised $860,713 of intangible assets over 3 months to 31 December 2018. The Group recognised impairment losses of $2,847,286 (2018: $nil) in the current year's statement of profit or loss against the goodwill component of the superannuation CGU, with a carrying amount of nil (2018: $2,847,286).

Other than the above, the Group did not identify any indicators of impairment during the year ended 30 June 2019.

	Consolidated 2019 $	Consolidated 2018 $
Goodwill	**2,847,286**	**–**

NOTE 13. CURRENT LIABILITIES – TRADE CREDITORS AND ACCRUED EXPENSES

	Consolidated 2019 $	Consolidated 2018 $
Trade creditors	1,511,785	1,342,230
Accrued expenses	1,789,428	1,522,780
Total	**3,301,213**	**2,865,010**

Notes to the Financial Statements

NOTE 14. PROVISIONS FOR EMPLOYEE BENEFITS

	Consolidated	
	2019 $	2018 $
Annual leave liability – current	833,834	749,889
Long services leave liability		
> current	139,622	171,428
> non-current	73,536	81,751
Total	**1,046,992**	**1,003,068**

NOTE 15. DEFERRED CONSIDERATION

	Consolidated	
	2019 $	2018 $
Deferred Consideration		
> current	780,619	743,006
> non-current	425,668	1,168,674
Total	**1,206,287**	**1,911,680**

With respect to the Trinity Group acquisition in 2018, at 30 June 2019, $1.21 million of the purchase price is recorded as Deferred Consideration which is to be paid in September 2019 and September 2020 subject to certain financial Key Performance Indicators being achieved.

NOTE 16. INTEREST BEARING LIABILITIES

As at 30 June 2019, the carrying amount of interest bearing liabilities approximates their fair value.

	Consolidated	
	2019 $	2018 $
Interest bearing liabilities		
> Current	1,000,000	2,000,000
> Non-current	5,850,486	6,721,499
Total	**6,850,486**	**8,721,499**

The Company has a debt facility with Australia and New Zealand Banking Group Limited ("ANZ"). The interest on the facility is charged at BBSY bid + 1.7% per annum. During the year, the Company has repaid $2 million (2018: $13 million) of the debt facility. The Group is compliant with the debt covenants at 30 June 2019.

NOTE 17. OTHER CURRENT LIABILITIES

	Consolidated	
	2019 $	2018 $
GST Liability	399,663	392,573
PAYG withholding payable	169,546	123,319
Superannuation payable	348,939	281,108
Due to previous shareholders of acquired entities*	26,454	1,558,503
Other	124,030	50,894
Total	**1,068,632**	**2,406,397**

* This relates to a liability due to the previous shareholder of Mainstream Fund Services, Inc for their historical retained earnings as agreed to between the respective parties in the Sale Agreement.

NOTE 18. OPERATING LEASES

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases for office premises and equipment were as follows:

	Consolidated 2019 $	Consolidated 2018 $
Not later than one year	1,832,523	1,588,341
Later than one year and not later than five years	2,613,017	2,166,436
Greater than five years	85,516	61,777
Total	**4,531,056**	**3,816,554**

NOTE 19. EQUITY – CONTRIBUTED CAPITAL

	Consolidated		Consolidated	
	2019 Shares	2018 Shares	2019 $	2018 $
Ordinary shares – fully paid	128,977,954	109,409,957	34,391,456	21,362,244

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. The movement of the number of ordinary shares outstanding is shown in the table below:

	Shares
Ordinary shares outstanding at 30 June 2018	**109,409,957**
Shares issued under Dividend Reinvestment Plan	885,371
Shares issued under Private Placement	13,571,429
Shares issued under Employee Share Plan	3,057,308
Shares issued for Deferred Consideration	919,592
Shares issued under Share Purchase Plan	1,134,297
Ordinary shares outstanding at 30 June 2019	**128,977,954**

On 29 August 2018, the Company declared a fully franked final dividend of 1.0 cent per issued share for the financial year ended 30 June 2018. A total of 455,343 fully paid ordinary shares were issued under the Company's DRP.

On 19 February 2019, the Company declared an interim dividend of 0.75 cents per issued share for the half year ended 31 December 2018. Another 430,028 fully paid ordinary shares were issued under DRP.

On 17 September 2018, the Company completed its $9.5 million institutional placement of new fully paid ordinary shares at $0.70 per share, which resulted in the issue of 13.57 million new shares.

On 26 September 2018, at the Company's Annual General Meeting, shareholders approved the issuance of a total of 3,057,308 fully paid ordinary shares under the Company's Employee Share Plan.

On 2 October 2018, the Company issued 919,592 fully paid ordinary shares to the former owner of Trinity Fund Administration (now Mainstream Fund Services Ireland and Cayman) for successful achievement of the Year 1 Profit Before Tax financial hurdle as part of a 3 year 'earn-out' in relation to the acquisition of Trinity Fund Administration.

On 23 October 2018, the Company allotted 1,134,297 new shares in response to the Share Purchase Plan ("SPP") offer to eligible shareholders.

Notes to the Financial Statements

NOTE 20. RESERVES

	Consolidated 2019 $	Consolidated 2018 $
Revaluation reserve	–	416,703
Foreign currency translation reserve	589,583	302,741
Profit reserve	700,000	–
Share-based payment reserve	854,750	1,260,311
Total	**2,144,333**	**1,979,755**

The changes of each type of reserve in equity is shown below:

	Revaluation reserve $	Profit reserve $	Foreign currency translation reserve $	Share-based payment reserve $
Opening balance at 1 July 2017	**416,703**	–	**(104,343)**	**514,757**
Foreign exchange translation	–	–	407,084	–
Share issued under Employee Share Plan	–	–	–	(564,193)
Share-based payments	–	–	–	1,309,747
Closing balance at 30 June 2018 and 1 July 2018	**416,703**	**–**	**302,741**	**1,260,311**
Foreign exchange translation	–	–	286,842	–
Share issued under Employee Share Plan	–	–	–	(2,102,675)
Share-based payments	–	–	–	1,697,114
Transfer (to)/from retained earnings	(416,703)	700,000	–	–
Closing balance at 30 June 2019	**–**	**700,000**	**589,583**	**854,750**

Revaluation reserve

The reserve is used to recognise increments and decrements in the fair value of software. There was $416,703 (2018: Nil) transferred to retained earnings during the year ended 30 June 2019. This transfer related to software which has now been fully depreciated and is still in use.

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

Profit reserve

The reserve is used to recognise the profits that have been appropriated for payment of dividends. During the year, $700,000 (2018: Nil) was allocated from current profits as at 31 May 2019, which is preserved for future dividend payments.

Share-based payment reserve

The share-based payment reserve represents the cumulative expense recognised in relation to equity settled share-based payments less the cost of shares purchased and transferred to share-based payments recipients upon vesting.

NOTE 21. EQUITY – DIVIDENDS

On 29 August 2018, the Company declared a fully franked final dividend of 1.0 cent per issued share for the financial year ended 30 June 2018. Payment of the dividend was completed on 12 September 2018.

On 19 February 2019, the Company announced a fully franked interim dividend out of the half year profit of 0.75 cents per issued share for the half year ended 31 December 2018. Payment of the dividend was completed on 18 April 2019.

NOTE 22. CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes contributed equity, interest bearing liabilities and all other equity reserves attributable to the shareholders of the parent. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages its capital structure and makes adjustments in light of changes in market and economic conditions.

NOTE 23. FINANCIAL RISK MANAGEMENT

The Group's financial assets include cash and cash equivalents, trade and other receivables and deposit bonds. The Group's financial liabilities comprise trade creditors, deferred consideration and accrued expenses and interest bearing liabilities. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's Board of Directors monitor these risks on an on-going basis.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Company's interest bearing liabilities. The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2019	Note	Weighted average interest rate %	Floating interest rate $	Fixed Interest Rate $	Non-interest bearing $	Total $
Financial assets						
Cash and cash equivalents	8	0.50	11,676,758	–	–	11,676,758
Trade and other receivables	9		–	–	4,909,370	4,909,370
Contract assets			–	–	3,365,643	3,365,643
Deposit bonds	10		–	–	1,299,601	1,299,601
			11,676,758	**–**	**9,574,614**	**21,251,372**
Financial liabilities						
Trade creditors and accrued expenses	13		–	–	3,301,213	3,301,213
Deferred consideration	15		–	–	1,206,287	1,206,287
Interest-bearing liabilities	16	3.60	6,850,486	–	–	6,850,486
			6,850,486	**–**	**4,507,500**	**11,357,986**

2018	Note	Weighted average interest rate %	Floating interest rate $	Fixed Interest Rate $	Non-interest bearing $	Total $
Financial assets						
Cash and cash equivalents	8	0.85	4,930,872	–	–	4,930,872
Trade and other receivables	9		–	–	4,509,397	4,509,397
Contract assets			–	–	1,595,761	1,595,761
Deposit bonds	10		–	–	1,161,443	1,161,443
			4,930,872	**–**	**7,266,601**	**12,197,473**
Financial liabilities						
Trade creditors and accrued expenses	13		–	–	2,865,010	2,865,010
Deferred consideration	15		–	–	1,911,680	1,911,680
Interest-bearing liabilities	16	3.63	8,721,499	–	–	8,721,499
			8,721,499	**–**	**4,776,690**	**13,498,189**

The Group's profit before tax is affected through the sensitivity to a reasonably possible change in interest rates on that portion of interest bearing liabilities affected.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from its operating activities, primarily trade receivables and deposits with banks. Cash and deposits are all maintained by banks with high credit ratings. The maximum exposure to credit risk at the reporting date is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group regularly monitors its outstanding customer receivables subject to its established policy and procedures.

Notes to the Financial Statements

An ECL analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

2019	Contract assets	Current	30-60 days	61-90 days	90 + days	Total
Expected loss rate	9.6%	0%	0%	0%	5%	
Gross carrying amount	3,365,643	4,265,124	197,963	133,284	670,486	**8,632,500**
Expected credit loss	323,869	–	–	–	33,618	**357,487**

2018	Contract assets	Current	30-60 days	61-90 days	90 + days	Total
Expected loss rate	0%	0%	0%	0%	28%	
Gross carrying amount	1,595,761	3,800,727	116,877	189,444	562,349	**6,265,158**
Expected credit loss	–	–	–	–	160,000	**160,000**

Liquidity risk

Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable. The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows ana matching the maturity profiles of financial assets and liabilities.

The following table sets forth the contractual maturities of the respective financial liabilities for the year ended 30 June 2019:

2019	Note	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	Greater than 5 years $	Total $
Trade creditors and accrued expenses	13	547,602	2,336,875	416,736	–	–	3,301,213
Deferred consideration	15	–	–	780,619	425,668	–	1,206,287
Interest bearing liabilities	16	–	–	1,000,000	6,000,000	–	7,000,000
		547,602	**2,336,875**	**2,197,355**	**6,425,668**	**–**	**11,507,500**

2018	Note	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	Greater than 5 years $	Total $
Trade creditors and accrued expenses	13	676,477	2,029,628	158,905	–	–	2,865,010
Deferred consideration	15	–	–	743,006	1,168,674	–	1,911,680
Interest bearing liabilities	16	–	1,000,000	1,000,000	7,000,000	–	9,000,000
		676,477	**3,029,628**	**1,901,911**	**8,168,674**	**–**	**13,776,690**

Fair Value Measurement of Financial Instruments

The Group assessed that the fair values of cash and cash equivalents, deposit bonds, receivables, payables, deferred consideration and interest bearing liabilities approximate their carrying amount largely due to the nature and maturity of these instruments.

The following table summarises the sensitivity of the Group to interest rate risk and foreign exchange risk.

		2019 Profit before tax $	2018 Profit before tax $
Interest rate risk			
Impact of a 100 basis point ("bp") change in interest rate	–100 bp	48,263	37,906
	+100 bp	(48,263)	(37,906)
Foreign currency risk			
Impact of a 10% movement of exchange rate against Australian dollar	–10% depreciation of AUD	553,021	519,191
	+10% appreciation of AUD	(553,021)	(519,191)

The assumed movement in basis points for the interest rate and foreign exchange sensitivity analysis are based on the currently observable market environment.

The Group has exposure to foreign currency risk upon consolidation of its foreign currency denominated entities. The currency impacted are primarily in United States Dollar, Singapore Dollar, Hong Kong Dollar, Euro and Great British Pound. The impact on the Group's total comprehensive income is due to changes in the fair value of monetary assets and liabilities. Movements in foreign currency exchange rates will result in gain or loss in total comprehensive income as a result of the revaluation of monetary balances.

The Group's exposure of foreign currency changes for all other currencies is not material.

NOTE 23. FINANCIAL RISK MANAGEMENT continued

Litigation risk

Litigation risk is the risk that legal action will be taken against the Company which leads to financial liabilities, brand damage and diversion of management time. During the normal course of business the Company may become subject to claims and litigation. The Directors have given consideration to such matters, which are or may be subject to litigation at year end and, subject to specific provisions raised, are of the opinion that no material contingent liability exists.

NOTE 24. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation received by the Key Management Personnel, including Directors of the Group as listed on page 16 of this report, is set out below:

	Consolidated	
	2019 $	2018 $
Short-term employee benefits	2,136,003	1,964,183
Post-employment benefits (superannuation or equivalent)	94,633	97,229
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payments	739,381	550,731
	2,970,017	**2,612,143**

NOTE 25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group did not have any contingent assets as at 30 June 2019 (2018: $nil) nor contingent liabilities as at 30 June 2019 (2018: $nil).

NOTE 26. RELATED PARTY TRANSACTIONS

Subsidiaries

Interests in subsidiaries are set out in note 29.

Transactions with related parties

The Company's office premises in the Isle of Man is leased from a related party at commercial market rates on an arms-length basis.

Total receivables from Directors as at 30 June 2019 were $38,341 (30 June 2018: $nil).

The liability due to previous shareholders of acquired entities was $26,454 (2018: $1,558,503) as at 30 June 2019. The remaining liability, due to a previous shareholder of Mainstream Fund Services, Inc, relates to historic retained earnings as agreed in the Sale Agreement.

All intercompany transactions were made on normal commercial terms and conditions no more favourable than those available to other parties, except some intercompany balances which are payable on demand and short term in nature that are interest free.

NOTE 27. AUDITOR'S REMUNERATION

The auditor of the Company is Ernst & Young Australia. Amounts received or due and receivable by Ernst & Young are as follows:

	Consolidated	
	2019 $	2018 $
Audit services provided to the Company and any other entity in the Group		
Audit or review of the financial reports	399,498	316,478
Other audit services:		
Assurance related (regulatory required audits)	16,983	16,000
Assurance related (controls reporting)	150,363	144,000
Assurance related (other)	19,094	18,000
Total audit services	**585,938**	**494,478**
Other non-audit services provided to the Company and any other entity in the Group		
Other	13,520	46,791
Total non-audit services	**13,520**	**46,791**
Total audit and other services provided by Ernst & Young	**599,458**	**541,269**

Notes to the Financial Statements

NOTE 28. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	Parent	
	2019 $	2018 $
Statement of financial position		
Total current assets	2,363,714	1,637,860
Total assets	**24,532,571**	**20,092,910**
Total current liabilities	(3,449,815)	(3,056,313)
Total liabilities	**(10,347,946)**	**(12,194,042)**
Equity		
Issued capital	34,391,456	21,362,244
Reserves	1,538,664	1,318,973
Retained losses	(21,745,555)	(15,435,159)
Total equity	**14,184,565**	**7,246,058**
Loss of the parent entity	(2,244,118)	(6,615,193)
Total comprehensive loss of the parent entity	(2,244,118)	(6,615,193)

The Group consolidated loss after income tax for the year ended 30 June 2019 was $1,140,565 (2018: $1,739,070 profit). Refer to the consolidated statement of profit and loss and other comprehensive income for further details.

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

The parent entity had no material capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

> Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

> Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 29. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in note 2:

Name of entity	Country of incorporation	Equity holding 2019 %	Equity holding 2018 %
Mainstream Fund Services Pty Ltd	Australia	100	100
Mainstream Superannuation Services Pty Ltd	Australia	100	100
ShareBPO Pty Ltd	Australia	100	100
Mainstream Digital Services Pty Ltd (formerly MainstreamITO Pty Ltd)	Australia	100	100
Mainstream Fund Services Pte. Ltd.	Singapore	100	100
Mainstream Fund Services (HK) Limited	Hong Kong	100	100
Mainstream Fund Services, Inc.	U.S.A.	100	100
Mainstream Fund Services LLC (formerly FundBPO USA LLC)	U.S.A.	100	100
Mainstream Fund Services (Malta) Limited	Malta	100	100
Mainstream Fund Services (IOM) Limited (formerly Galileo Fund Services Limited)	Isle of Man	100	100
Columbus Nominees One Limited	Isle of Man	100	100
Mainstream Secretarial Services (IOM) Limited (formerly Galileo Secretarial Services Limited)	Isle of Man	100	100
JAL Investments Limited	Cypress	100	100
Mainstream Fund Services (Ireland) Limited	Ireland	100	100
Mainstream Fund Services (Cayman) Limited	Cayman Islands	100	100

NOTE 30. EVENTS AFTER THE REPORTING PERIOD

On 20 August 2019 the Company announced a final dividend out of the profit reserve account of 0.50 cents per issued share, franked at 50%, at a corporate tax rate of 30%. This dividend is for the financial year ended 30 June 2019 and is payable on 20 September 2019. The Board of Directors also resolved to offer all Shareholders the right to participate in the Company's DRP in respect to this dividend, with the DRP to operate at a 5% discount. A copy of the DRP is available on the Company's website.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future years.

Directors Declaration

In accordance with a resolution of the Directors of Mainstream Group Holdings Limited, I state that:

1. In the opinion of the Directors:
   a. the financial statements and notes of Mainstream Group Holdings Limited for the financial year ended 30 June 2019 are in accordance with the *Corporations Act 2001*, including:
      i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
      ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and
   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

On behalf of the Board

Byram Johnston OAM
Non-Executive Director

Date: 20 August 2019
Sydney

Independent Auditor's Report

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Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Members of Mainstream Group Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mainstream Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Recoverable value of goodwill and other intangible assets

Why significant	How our audit addressed the key audit matter
At 30 June 2019, the Group's goodwill and other intangible assets balance was $22m which represented 44% of total assets. The Directors' assessment of the recoverable value of goodwill and other intangible assets was a key audit matter as the assessment process is complex and judgmental and is based on assumptions relating to future market or economic conditions. In performing the recoverability assessment, the Group has applied various assumptions with respect to revenue and cash flow growth rates based on expectations and estimates of future results of the individual cash generating units. The Group has disclosed in Note 11 of the financial report the assessment method, including the key underlying assumptions, the results of the assessments and the impact of applying sensitivities.	Our procedures included: ▸ Assessing the Group's determination of the CGUs to which goodwill is allocated ▸ Assessing the methodology used to calculate the recoverable amount of each CGU; ▸ Agreeing the projected cash flows used in the value-in-use impairment models to the Board approved plan of the Group; ▸ Comparing the Group's implied growth rate assumptions to comparable companies; ▸ Considering the accuracy of historical cash flow forecasts; ▸ Assessing the methodology and assumptions used in the calculation of the discount rate, including comparison of the rate to market benchmarks; ▸ Testing the mathematical accuracy of the impairment model for each CGU; ▸ Considering the Group's sensitivity analysis and evaluating whether any reasonably foreseeable change in assumptions could lead to a material impairment; and ▸ Assessing the adequacy of the disclosures in Note 12 in accordance with Australian Accounting Standards.

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2. Revenue recognition

Why significant	How our audit addressed the key audit matter
The Group provides outsourced fund administration services to a range of wealth management sector participants in multiple countries, the accounting policy for which is disclosed in Note 2g. The fee calculation process is largely manual and the majority of customer contracts are bespoke with fixed and/or variable components. Revenue recognition requires making estimates relating to the wide variety of unique contract conditions, which leads to contract revenue recognition being complex. As a result, revenue recognition was considered a key audit matter.	Our audit procedures included: ▸ Assessing the appropriateness of the Group's revenue recognition accounting policies; ▸ Evaluating and testing the Group's processes for recognising contract revenues; ▸ Recalculating fee income, on a sample basis, in accordance with contractual arrangements and other supporting documentation; ▸ Performing cut-off testing on a sample of transactions recorded close to year end to determine whether the associated revenue was recognised in the correct period; ▸ Analysing revenue trends and movements and obtaining evidence to support any variations from our expectations; ▸ Assessing the measurement of the expected credit loss allowances recorded against trade and contract receivables; and ▸ Assessing the related note disclosure in accordance with Australian Accounting Standards.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report continued

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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Mainstream Group Holdings Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

R Da Silva

Rita Da Silva
Partner
Sydney
20 August 2019

Shareholder Information

Additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere in this report is as follows. The information is current as at 5 August 2019.

(a) Distribution of equity securities

Range	Shareholders	Holdings	Percentage
1 – 1000	45	16,785	0.0%
1001 – 5000	509	1,660,454	1.3%
5001 – 10,000	337	2,520,504	2.0%
10,001 – 100,000	586	16,272,366	12.6%
100,001 and above	80	108,507,845	84.1%
Total	**1,557**	**128,977,954**	**100%**
Holdings less than a marketable parcel	**36**		

(b) Substantial shareholders

Position	Investor	Date of Last Notice	Holdings at Date of Last Notice	Percentage
1	MARTIN CHARLES SMITH [1]	26 March 2019	20,173,420	14.7%
2	BYRAM THOMAS JOHNSTON [2]	2 October 2018	18,855,916	14.2%
3	JOHN PLUMMER	24 April 2019	11,515,234	8.9%
4	FORAGER FUNDS MANAGEMENT PTY LTD	1 October 2015	7,750,000	6.0%

(c) Twenty largest holders of quoted equity securities

Position	Investor	Holdings	Percentage
1	SODOR HOLDINGS PTY LTD <SODOR INVESTMENT A/C>	18,993,351	14.7%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	18,575,050	14.4%
3	JOHNSTON BROS PTY LTD <MAINSTREAM INVESTMENT TRUST>	18,315,339	14.2%
4	JOHN PLUMMER	11,515,234	8.9%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,012,013	8.5%
6	DENISE DEPAOLA	4,591,716	3.6%
7	NATIONAL NOMINEES LIMITED	3,123,745	2.4%
8	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,302,682	1.8%
9	MR VICTOR JOHN PLUMMER	1,721,429	1.3%
10	NATIONAL NOMINEES LIMITED <DB A/C>	1,112,947	0.9%
11	KALAN SEVEN PTY LTD	1,049,801	0.8%
12	FILDOT INVESTMENTS LIMITED	931,683	0.7%
13	MR MARTIN CHARLES SMITH	820,176	0.6%
14	BNP PARIBAS NOMS PTY LTD <DRP>	800,000	0.6%
15	DR DAVID JOHN RITCHIE & DR GILLIAN JOAN RITCHIE <D J RITCHIE SUPER FUND A/C>	750,000	0.6%
16	ANDREW HARRISON	633,910	0.5%
17	SARGON CT PTY LTD <TPI AUSTRALIAN SHARE FUND>	590,000	0.5%
18	MR BYRAM THOMAS JOHNSTON	532,960	0.4%
19	HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>	495,881	0.4%
20	MR MARTIN CHARLES SMITH & MRS SHARON LEE SMITH <SMITH FAMILY S/F NO2 A/C>	359,893	0.3%
Total		**98,227,810**	**76.1%**

(d) Voluntary escrow

As at the date of this report, there were no issued securities in Mainstream Group Holdings Limited with escrow restrictions.

1. Holds direct interests and indirect interests through Sodor Holdings Pty Ltd as trustee for the Sodor Investment Trust and Mr Martin Charles Smith + Mrs Sharon Lee Smith <Smith Family S/F No2 A/C>.
2. Holds direct interests and indirect interests through Johnston Bros Pty Ltd as trustee for the Mainstream Investment Trust.

corporate information

DIRECTORS

Byram Johnston OAM
Non-Executive Chairman

Martin Smith
Chief Executive Officer

John Plummer
Non-Executive Director

JoAnna Fisher
Non-Executive Director

Debbie Last
Non-Executive Director

COMPANY SECRETARY

Alicia Gill

REGISTERED OFFICE

Level 1, 51-57 Pitt Street
Sydney NSW 2000

SOLICITORS

Sekel Grinberg Judd

Level 8, Currency House
23 Hunter Street
Sydney NSW 2000

AUDITOR

Ernst & Young

200 George Street
Sydney NSW 2000

SHARE REGISTRY

Mainstream Fund Services Pty Limited
GPO Box 4968
Sydney NSW 2001

SECURITIES EXCHANGE LISTING

Australian Securities Exchange
ASX code (ordinary shares): MAI

WEBSITE

www.mainstreamgroup.com

SHAREHOLDER INFORMATION

Shareholder Information for MAI can be found in the MAI Shareholder Centre:
www.mainstreamgroup.com/shareholdercentre